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December 14, 2009

TO: Supervisor Gloria Molina, Chair
Supervisor Mark Ridley-Thomas
Supervisor Zev Yaroslavsky
Supervisor Don Knabe
Supervisor Michael D. Antonovich

FROM: Wendy L. Watanabe
Auditor-Controller

SUBJECT: **AIDS SERVICE CENTER CONTRACT REVIEW – A DEPARTMENT OF
PUBLIC HEALTH HIV/AIDS CARE SERVICES PROVIDER**

We completed a fiscal review of AIDS Service Center (ASC or Agency), a Department of Public Health (DPH) HIV/AIDS care services provider.

Background

The DPH's Office of AIDS Programs and Policy (OAPP) contracts with ASC to provide HIV/AIDS mental health psychotherapy, psychosocial case management, treatment education services and maintain a service provider network. The Agency is located in the Fifth District.

At the time of our review, ASC had four cost reimbursement contracts with OAPP. The County paid the Agency approximately \$676,000 for the period March 2008 to March 2009.

Purpose/Methodology

The purpose of our review was to ensure that ASC appropriately spent funds in accordance with the County contract. We also evaluated the adequacy of the ASC's accounting records, internal controls and compliance with the contract and applicable federal and State fiscal guidelines governing the Ryan White Comprehensive AIDS Resource Emergency Act. In addition, we determined whether the Agency provided services to eligible participants.

Results of Review

Overall, ASC appropriately recorded and deposited cash receipts timely in the Agency's bank account and allocated shared costs. However, ASC did not always maintain updated clients' eligibility information and did not implement a client/patient fee determination system as required by the County contract.

The details of our review, along with recommendations for corrective action, are attached.

Review of Report

We discussed our report with ASC and DPH. In their attached response, the Agency agreed with our findings and recommendations and describes the corrective action they have taken to address the recommendations in our report.

We thank ASC for their cooperation and assistance during this review. Please call me if you have any questions or your staff may contact Don Chadwick at (213) 253-0301.

WLW:MMO:JET:DC:EB

Attachment

c: William T Fujioka, Chief Executive Officer
Jonathan E. Fielding, Director, Department of Public Health
Eric V. Johnson, President, Board of Directors, AIDS Service Center
Yvonne C. Benson, Executive Director, AIDS Service Center
Public Information Office
Audit Committee

**HIV/AIDS CARE AND PREVENTION SERVICES
AIDS SERVICE CENTER
FISCAL YEAR 2008-09**

ELIGIBILITY

Objective

Determine whether AIDS Service Center (ASC or Agency) provided services to individuals that meet the eligibility requirements of the Office of AIDS Programs and Policy (OAPP).

Verification

We reviewed the case files for 11 program participants that received services from March 2008 to March 2009 for documentation to confirm the participants' eligibility to receive OAPP program services.

Results

The case files for two (18%) of the 11 program participants sampled did not contain updated income verification documentation annually to support their eligibility for program services. The income documentation was approximately two years old. In addition, ASC did not implement a client/patient fee determination system as required by the County contract. The County contract requires that clients' eligibility information be updated annually and that fees be determined based on the client/patients' ability to pay using a pre-determined fee schedule which must be approved by OAPP.

Recommendations

ASC management:

- 1. Ensure clients' eligibility is updated annually and client files contain documentation indicating their eligibility for program services.**
- 2. Establish a client/patient fee determination system.**
- 3. Submit a client fee schedule to OAPP for approval.**

CASH/REVENUE

Objective

Determine whether cash receipts are properly recorded in the Agency's financial records and deposited timely in the Agency's bank account. In addition, determine whether there are adequate controls over cash, petty cash and other liquid assets.

Verification

We interviewed Agency personnel and reviewed the Agency's financial records. We also reviewed the Agency's April 2009 bank reconciliations for two bank accounts.

Results

ASC properly recorded and deposited OAPP's payments timely into the Agency's bank account. In addition, ASC reconciled their bank accounts on a monthly basis.

Recommendation

None.

COST ALLOCATION PLAN**Objective**

Determine whether the Agency's Cost Allocation Plan (Plan) was prepared in accordance with the County contract and the Agency used the Plan to appropriately allocate shared program expenditures.

Verification

We reviewed ASC's Plan and a sample of allocated expenditures incurred by the Agency for February 2009 to ensure that the expenditures were properly allocated to OAPP.

Results

ASC's Plan was prepared in compliance with the County contract. In addition, the Agency allocated costs to the program was in accordance with their Plan.

Recommendation

None.

EXPENDITURES**Objective**

Determine whether program related expenditures are allowable under the County contract, properly documented and accurately billed to the program.

Verification

We interviewed Agency personnel, reviewed accounting records and reviewed documentation for 12 program expenditure transactions totaling \$12,567 incurred during July 2008, November 2008, February and May 2009.

Results

ASC's expenditures were allowable and supported by documentation as required by the contract.

Recommendation

None.

FIXED ASSETS AND EQUIPMENT**Objective**

Determine whether the Agency's fixed assets and equipment purchases made with program funds are used for the OAPP program and are safeguarded.

We did not perform testwork in this area as ASC did not purchase fixed assets with OAPP funds.

Recommendation

None.

PAYROLL AND PERSONNEL**Objective**

Determine whether payroll expenditures were appropriately charged to the program. In addition, determine whether personnel files are maintained as required.

Verification

We traced the payroll expenditures for 15 program employees totaling \$36,558 to the payroll records and benefit remittance invoices for February 2009. We also reviewed the employees' personnel files.

Results

ASC's salaries and employee benefits were supported and appropriately charged to the OAPP program. The Agency also maintained personnel files as required by the County contract.

Recommendation

None.

COST REPORTS**Objective**

Determine whether the Agency's Cost Reports reconcile to the Agency's financial accounting records.

Verification

We traced the Agency's Cost Reports for the period ended February 2009 and March 2009 to the Agency's general ledger.

Results

ASC's Cost Reports were supported by the Agency's financial records.

Recommendation

None.



November 11, 2009

Maria McGloin
Los Angeles County Office of Auditor-Controller
County Contract Monitoring Division
350 S. Figueroa St., 8th Floor
Los Angeles, CA 90071

Re: AIDS Service Center Contract Review – Response

Dear Ms. McGloin,

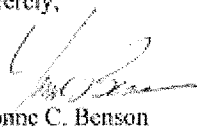
Thank you for meeting with us to discuss the fiscal audit of AIDS Service Center. We agree with the findings and have taken the following corrective actions:

- 1) Regarding the eligibility of chart ASO6377, we have updated the record and it includes income verification. We have also reviewed the eligibility requirements of this program as well as required documentation with all staff.
- 2) Regarding the eligibility of chart ASO5446, we have updated the record and it includes income verification. We have also reviewed the eligibility requirements of this program as well as required documentation with all staff.
- 3) Regarding the implementation of a required fee schedule, we are submitting a proposed fee schedule to the Office of AIDS Programs and Policy (OAPP) for approval. Upon approval, we plan to implement in January, 2010. We will notify existing clients about this change once approved. Beginning in January 2010, we will include the fee schedule in our registration packet for all psychosocial case management and mental health. A copy of the proposed fee schedule is attached.

Please contact Karen Tinsley if you have questions at (626) 441-8495 x 128.

Thank you for your assistance and continued support of ASC.

Sincerely,


Yvonne C. Benson
Executive Director

Bill Burtos

Charlie Daulty

Nancy McIntyre

Michael Boylin, CPA, EOD

Rick Cagaroglus

Yolanda de la Garza

Gail English

Isida Hernandez

Walter Hubert

Kate Kim

Eric V. Johnson

Garry Johnson

Roy Kohlenderer

Daniel Lacovina

Steven Marshall

Jorda B. Nelson

Jan Petrone

The Rev. Edwin Bacon, Jr.

Peggy Phelan

Yvonne C. Benson, MSW